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Thailand

POULTRY AND PRODUCTS ANNUAL

Annual

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Report Highlights:

Thailand's broiler meat production is forecast to grow modestly by 4 percent in 2010 in anticipation of higher demand both domestically and internationally and assuming that there will be no serious disease issues, especially Avian Influenza, in the country. This across-the-board increase is mainly attributed to an anticipation of a global economic recovery. Thailand's cooked chicken meat (EU HS code 16023219) already reached the quota ceiling of 160,033 tons in 2008. Thai exporters have requested the Department of Trade Negotiations (DTN) of the Thai Government to discuss with the EU a possible increase in current quota ceiling and import tariffs during the months of September or October, 2009.

Executive Summary:

Thailand's broiler meat production is forecast to grow modestly by 4 percent in 2010 in anticipation of higher demand both domestically and internationally and assuming that there will be no serious disease issues, especially Avian Influenza, in the country. This across-the-board increase is mainly attributed to an anticipation of a global economic recovery.

The EU and Japan will remain major markets for Thai chicken meat exports (all of it cooked product) in 2009 and 2010, accounting for 85-90 percent of total exports. Other importing countries include Vietnam, Singapore, South Korea, and Hong Kong. The EU recently notified WTO of its plan to raise import tariffs on 8 items of poultry meat products. These include uncooked chicken meat products containing more than 57 percent chicken meat, cooked chicken meat products containing 25-57 percent chicken meat, and cooked chicken meat products containing less than 25 percent chicken meat. These chicken meat products are currently not under the EU tariff-rate-quota. However, the plan has not been finalized by the EU thus far. Additionally, Thai exporters have requested the Department of Trade Negotiations (DTN) of the Thai Government to discuss with the EU a possible increase in current quota ceiling and import tariffs during the months of September or October, 2009.

Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov>.

Production:**Production Trend**

Thailand's broiler meat production is forecast to grow modestly by 4 percent in 2010 in anticipation of higher demand both domestically and internationally and assuming that there will be no serious disease issues, especially Avian Influenza, in the country.

Broiler meat production for 2009 is likely to register a 2 percent growth over the 2008 level to 1.2 million metric tons. A low growth in broiler production in 2009 is a reflection of the global economic downturn that is affecting both export and domestic demand. An average amount of chick production in 2009 is estimated at 18 million birds per week, accounting for three-quarters of the country's production capacity. This idle capacity has minimal effects on the industry's production costs.

Thai broiler industry's farm facilities, breeding farms and broiler farms in particular, expanded substantially in early 2002-2003, shortly before Thailand was hit by High Pathogenic Avian Influenza (HPAI), H5N1 type, in January 2004. The disease incidence caused both export demand and domestic consumption to plunge in 2004. After demand recovered in 2005, independent chick producers and broiler integrators have monitored

the market closely and cautiously adjusted their chick production to reflect the actual demand. As a result, broiler production has fluctuated in a lesser degree in recent years than in the past.

In addition to supply management, the Thai broiler industry has successfully improved farming systems to encounter animal health and food safety challenges. All integrated producers are currently strictly implementing biosecurity measures across the board, from the farm level to the processing level. Nearly all broiler houses of integrated producers are laid out in an evaporative cooling system which lead to higher productivity and reduced disease exposure and mortality rates. In addition, Thai chick producers have continued to improve genetics in broiler breeding stocks so that average meat yields per bird have increased in recent years. Integrated producers have also invested money to introduce or improve their broiler meat processing facilities from slaughtering to cooking processes. Accordingly, Thailand is currently considered one of the premium suppliers for cooked chicken meat products to Japanese and EU customers.

Production Costs

Trade sources forecast that production costs of live broiler in 2010 should increase to some degree in anticipation of stronger prices for bulk feed ingredients.

In 2009, a reduction in domestic and international prices for feed ingredients and in chick prices, has benefited the Thai broiler industry. For example, prices for corn and soybean meal, ingredients that account for 85-90 percent of the broiler feed ration, have dropped 6 percent (from average 17.78 baht/kg to 16.30 baht/kg) for corn and 23 percent (from 9.32 baht/kg to 7.17 baht/kg) for soybeans in the first 7 months of 2009 (Jan-Jul) compared to the same period in 2008. Domestic wholesale prices for chipped tapioca, a carbohydrate-source substitute material, also declined sharply by 29 percent from 5.84 baht/kg to 4.13 baht/kg. In addition, chick prices in the first 7 months (Jan-Jul) dropped sharply by 27 percent to 9.84 baht/bird (28 cents/bird).

As a result, average live broiler production costs in the first seven months of 2009 (Jan-Jul) are estimated to drop by 17 percent from 37 baht/kg (48 cents/pound) to 31 baht/kg (40 cents/pound). As of August of 2009, current average production costs are 32-33 baht/kg (42-43 cents/pound), which is broken down as follows: day-old chicks (7 baht), feed (21-22 baht), vaccination and drugs (one baht), and labor and other costs (three baht).

Month	Corn 1/			Soybean Meal 2/			Fishmeal 3/		
	2008	2009	%Δ	2008	2009	%Δ	2008	2009	%Δ
January	8.27	7.33	- (11.4)	17.24	14.67	- (14.9)	26.10	29.61	+ 13.4
February	8.55	7.42	- (13.2)	17.10	15.70	- (8.2)	27.04	26.84	- (0.7)
March	9.14	7.60	- (16.8)	17.16	15.68	- (8.6)	29.27	25.69	- (12.2)
April	9.43	7.05	- (25.2)	16.90	16.07	- (4.9)	29.60	29.08	- (1.8)
May	9.25	7.05	- (23.8)	17.13	17.19	+ 0.4	29.36	33.50	+ 14.1
June	9.58	7.45	- (22.2)	18.70	17.93	- (4.1)	30.79	34.19	+ 11.0
July	10.99	6.26	- (43.0)	20.26	16.91	- (16.5)	33.65	34.58	+ 2.8
August	10.03			19.58			35.66		
September	8.93			18.33			34.19		
October	7.89			16.65			30.93		
November	7.84			14.56			25.11		
December	6.94			12.62			26.03		
Average	8.90	7.17		17.19	16.31		29.81	30.50	

1/ Bangkok wholesale prices for corn at feedmill

2/ Bangkok wholesale prices for soybean meal derived from imported soybean

3/ Bangkok wholesale prices for fishmeal

Source: Thai Feed Mill Association

HPAI Update and Its Effect on Broiler Production

High Pathogenic Avian Influenza (HPAI), H5N1 type, hit Thailand in January 2004 and the outbreak has occurred from time to time each year. According to Thai officials and trade sources, the outbreak of HPAI in Thailand has been much lesser as of late. Only two premises raising native chickens in Sukhothai and Uthai Thani provinces reported positive for HPAI in October and November 2008, respectively, and only 14 chickens were destroyed on these two sites. In addition to the “stamping out” practice, the Department of Livestock Development (DLD) conducted other control measures including quarantine, movement control, screening, zoning, disinfection of infected premises or establishment, following OIE guidelines. Thailand has had no HPAI incidents since the last affected flock was depopulated on November 12, 2008.

Consumption

Domestic broiler meat consumption in 2010 is forecast to increase by five percent due to the recovery of the Thai economy and poultry meat prices remains the cheapest meat. In addition, an increase in domestic consumption should be partly attributed to an effort to promote new ready-to-eat chicken menu in domestic market by quick service restaurants (QSR) and food processors, including the largest poultry integrators such as Charoen Pokphand Group. In 2009, growth in broiler meat consumption is estimated to register a one percent increase due to the economic downturn.

Average domestic prices for live broilers in the first seven months of 2009 (Jan-Jul) dropped 11 percent over the same period of 2008 to 34.04 baht/kg (approx. 44 cents/pound) due mainly to decreased production costs. Meanwhile, average retail prices for chicken boneless breast meat in Bangkok in 2009 (Jan-Jul) decreased by 23 percent to 68.97 baht/kg (\$0.90/pound) from the 2008 level.

Table 3: Wholesale and Retail for Chicken

Month	Wholesale Live Broiler (baht/kg)		% Change	Retail Chicken Meat (baht/kg)		% Change
	2008	2009		2008	2009	
January	35.63	31.58	-11.37	84.50	74.25	-12.13
February	37.18	32.88	-11.57	84.73	69.84	-17.57
March	39.52	30.28	-23.38	89.00	62.50	-29.78
April	40.78	31.18	-23.54	91.19	64.23	-29.56
May	41.02	36.45	-11.14	92.50	70.00	-24.32
June	36.06	37.92	5.16	92.50	71.00	-23.24
July	37.46	38.00	1.44	92.50	71.00	-23.24
August	42.62			92.50		
September	37.54			91.77		
October	30.36			87.50		
November	31.00			85.00		
December	30.84			81.00		
Average	36.67	34.04		88.72	68.97	

Trade

Export Trend

Thailand's exports of cooked chicken meat are forecast to grow by 7-8 percent in 2010 due to an anticipated recovery in the economy of importing countries, especially the EU and Japan.

Chicken meat exports (both cooked and uncooked) in the first half of 2009 reportedly dropped by 2 percent from 178,721 metric tons in the same period of 2008 to 174,764 metric tons. However, based on the export performance of the first half of 2009 and the anticipation of improved exports in the second half of the year, total exports of chicken meat should register a growth of 2 percent in 2009. This slow growth is a result of the global economic downturn.

In 2009 and 2010, the EU and Japan will remain major markets for Thai chicken meat exports (all cooked product) accounting for 85-90 percent. Other importing countries include Vietnam, Singapore, South Korea, and Hong Kong.

Export Prices and Products

There are no export price quotations on basic uncooked items such as boneless leg (BL) and skinless boneless breast (SBB) from Thailand. Trade sources report that export prices in 2009 continue to be profitable. Under the EU quota, several importers in the EU have been sourcing more products from Thailand and Brazil. In addition, concerns about the quality of Chinese food products have benefited Thai poultry exports, particularly to Japan.

Trade sources reported that the global economic downturn is affecting export prices in the EU market at a higher degree than prices in the Japanese market. Export prices for steamed dice-shape-cut skinless boneless breast (SBB), a major item exported to the EU,

declined sharply from \$4,000-4,500/ton CIF in 2008 to the current price of \$3,000-\$3,500/ton. On the other hand, export prices for fried cut boneless leg, one of the basic cooked products to the Japanese market, dropped in a lesser degree from US\$ 4,200-\$4,300/metric ton to \$4,000-4,200/metric ton. However, export prices are expected to improve by 5-10 percent in the last quarter of 2009.

The bulk of the cooked chicken products consist of made to order meat products that are processed or prepared by heat (such as grilling, steaming, boiling, etc.) and are usually puffed or seasoned (with salt, Japanese sauce, etc.).

The EU Quota Administration

Under the agreement, Thailand receives 92,610 tons, out of a total quota of 264,245 tons, for salted poultry meat (EU HS code 02109939). The in-quota tariff rate is 15.4 percent while the out-of-quota rate will be 1,300 €/ton. Quota for cooked chicken meat (EU HS code 16023219) for Thailand is 160,033 tons, out of a total quota of 250,953 tons, and in-quota imports from Thailand will be subject to an 8 percent tariff. The out-of-quota rate for cooked chicken meat is 1,024 €/ton.

Thailand's cooked chicken meat (EU HS code 16023219) already reached the quota ceiling of 160,033 tons in 2008. Thailand also exported about 16,000 metric tons of cooked chicken meat products containing no more than 57 percent chicken meat, which is not under the EU tariff-rate-quota administration, in 2008.

The EU recently notified WTO of its plan to raise import tariff on 8 items of poultry meat products, including uncooked chicken meat products containing more than 57 percent chicken meat, cooked chicken meat products containing 25-57 percent chicken meat, and cooked chicken meat products containing less than 25 percent chicken meat. These chicken meat products are currently not under the EU tariff-rate-quota. However, the plan has not been finalized by the EU thus far. In response to Thai exporters' request, the Department of Trade Negotiations (DTN) of the Thai Government plans to hold discussions with the EU on a possible increase in current quota ceiling and import tariff issues in September or October, 2009.

Compartmentalization and Export Prospect

Thailand is likely to lose its momentum in an effort to pressure major importing countries, i.e., Japan and the EU, to accept the compartmentalization practice in order to allow Thailand to export raw/uncooked chicken meat to these markets again, regardless of the Avian Influenza country status. The OIE has not issued any official certification on compartmentalization for the Thai companies that were inspected by the OIE technical expert in mid 2008.

Policy

Thailand's policy for the poultry industry has not changed from the last report. Thailand does not have price supports or export subsidy programs for poultry. Because of the HPAI outbreak, the Royal Thai Government (RTG) launched several measures to support the poultry industry, from small-scale farmers to integrated poultry processors. These measures include the HPAI Stamping-Out Campaign on poultry farms/areas, a compensation scheme for disease-affected farmers, fee exemptions for chicken slaughterhouses, and outreach to help unemployed workers/operators.

Thailand is a protected poultry market through the RTG's use of non-transparent control of import permits (potential importers are unable to get them issued), high WTO bound rates of import tariffs (currently 30 percent for chilled or frozen uncooked meat and 40 percent for cooked chicken meat), and a discriminatory import permit fee on uncooked products (approx. \$286/ton).

Regarding imported poultry products, Thailand seemingly exceeds OIE guidelines when exporting countries confirm a finding of Low Pathogenic Avian Influenza in their country. In the case of live poultry and poultry products, the RTG banned U.S. live poultry and poultry products (both uncooked and cooked) after a finding of Low Pathogenic Avian Influenza (LPAI) cases in some U.S. states.

DLD has maintained a ban on live poultry and poultry products from Virginia since July 24, 2007.

Marketing

Thailand is a potential market for U.S. chicken parts (especially leg-quarters), mechanically deboned meat (MDM), and value-added chicken meat. Thai local consumers, like those in other Asian countries, prefer dark meat to white meat. Potential buyers for chicken parts and MDM would be food processors (sausage processors in the case of MDM) and supermarkets. Value-added chicken meat can also be introduced to modern retail markets and HRI industry. Thailand could import bone-in-leg meat for processing in Thailand and re-export it to such markets as Japan and non-EU countries. However, the U.S. export opportunities of these chicken parts are currently hindered by Thailand's non-transparent controls on issuing import permits.